Facts
for Nonprofits

Raising Funds?

What to Know About Hiring a Professional

Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
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Produced in cooperation with the National Association of Attorneys General
April 1997

If your nonprofit organization is planning a fund-raising campaign, you may be thinking about hiring a professional to do the work. Professional fund-raisers conduct the campaign for a fee; often it's a percentage of the money they collect.

Because the fund-raiser will be representing your organization to the public, it's important that you investigate every firm you're considering hiring. Inappropriate behavior can result in negative publicity, fewer or smaller donations, and possible legal action involving you and the firm if the law is violated.

Choosing A Fund-Raiser

A little research will help ensure you are working with a reputable fund-raiser. Contact other nonprofit groups in your area for information and referrals — especially colleges, hospitals, and cultural organizations. You also may want to contact your local community fund or an association of professional fund-raisers in your area.

Once you've compiled a list of potential fund-raisers, call them for background information. Get written information about each including a blank contract before you schedule interviews. Ask how they would conduct your campaign. Would they solicit by phone, mail, door-to-door, or a combination of approaches? Would they solicit only money or would they also sell products or tickets to events? What portion of the cost would be the actual contribution. Beware of companies that promise something for nothing or "easy money." Would subcontractors be used for any part of the campaign? How

would the fund-raiser make sure its telephone solicitors follow the approved scripts? Be clear that while the fund-raiser would conduct the campaign, you would maintain overall control and expect the company to provide periodic financial reports. Ask to see financial data from other campaigns to get a picture of their successes. In addition, ask whether the company is licensed or bonded, a requirement in many states.

Request a list of references and contact them about their experiences with the company. Ask if they have suggestions based on their experience. Check out the company with state and local consumer protection officials, charities regulators, and the Better Business Bureau. They may be able to tell you if complaints have been registered about the firm.

Finally, get bids. A reasonable bid is determined by considering all the factors involved: the time and type of labor involved, the nature and duration of the relationship between fund-raiser and client, and the ability and experience of the fund-raising firm.

The Fund-raising Contract

Once you've selected a fund-raiser, work out the details of the written campaign contract, which will protect you as well as the fund-raiser. The contract should:

- describe the services to be provided and the financial responsibilities of each party;
- authorize or prohibit the use of subcontractors;

- identify the compensation to be paid — a flat fee and/or a percentage of the money collected;

- require that the fund-raiser use only material reviewed and approved by your organization when contacting the public, especially telemarketing scripts and printed materials mailed to donors. Make sure that these materials comply with state laws; many states require professional fund-raisers to make certain disclosures, including that a telephone solicitation is being conducted by a professional fund-raiser. Descriptions of your organization and what it does should be accurate, as should representations about the tax benefits of a donation.

- specify the contract period, including the closing and settlement dates;

- outline cancellation criteria for both parties;

- require the fund-raiser to provide detailed reporting of results throughout the campaign and at its end. All donor checks should be made out to your organization, not the solicitor. Do not allow the solicitor to endorse checks. Review sales and other financial records on a regular basis, perhaps weekly.

- specify ownership of donor lists. Typically, lists belong to the nonprofit. If you retain ownership and decide to offer your lists for rental or exchange, consider the privacy of your donors. You may want to offer donors the opportunity to opt off of lists you furnish to outside mailers and phone solicitors.

The Campaign

Even though you've hired a professional fund-raiser to conduct a campaign, you are responsible for the actions taken on your behalf. Therefore, regular contact with the firm throughout the campaign is a must.

If you're conducting a telemarketing campaign, insist that the fund-raiser institute a system for training and monitoring solicitors to make sure they are following the authorized script. One method is to call back donors at random to verify the conversation. Provide the telemarketer with answers for commonly asked questions.

You also should closely track complaints from the public. If a pattern develops, review the area that's causing confusion or concern and discuss ways to resolve the issue with the fund-raiser.

During the campaign, keep tabs on the flow of money. Make sure you get copies of original invoices as received, paid receipts as paid, bank statements, checks and deposit slips. Monitor all expenses to be sure they are reasonable and ordinary. Immediately question any expenses that appear excessive or lack documentation.

Several private nonprofit organizations promote standards in philanthropy to evaluate the performance of public-service groups. These standards include guides about the use of professional fund-raisers. For more information, contact:

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